



MARKETING MEMO

VOLUME I, ISSUE I

SPRING 2009

California Department of Food and Agriculture
Marketing Division, Marketing Branch

Inside this issue:

Forest Commission Closes	2
Table of Due Dates	2
Branch Briefings, con't	3
Program News	4
Annual Handler Audits	5
Announcements	6

BRANCH BRIEFINGS, BY BOB MAXIE, BRANCH CHIEF

Marketing Branch staff news

For the first time since former Branch Chief Lynn Morgan retired two years ago, the Marketing Branch is fully staffed. In the past six months, the branch has brought on Joe Monson, April Izumi and Brian Greathouse.

Most of you have met Joe. He joined the branch last summer as a program liaison and is already assigned to seven programs. Joe also oversees the branch's conduct of referendum votes for the marketing programs.

April joins the branch as a program liaison after 10 years in CDFA's Public Affairs Office. Among her many responsibilities there, she produced the annual California Agricultural Resource Directory and wrote speeches for the Secretary. Prior to joining the department, April was the marketing and communications officer for the California Arts Council and worked in the Governor's Office during the Wilson administration.

April will continue to produce the resource directory, with the next edition out this month. The resource directory provides a wealth of information on California agricultural production, farm income and agricultural exports. This year's edition will feature the Leafy Green Products Handler Marketing Agreement and the terrific job that program is doing to assure that leafy greens growers and handlers are following good agricultural practices. As its title indicates, the publication also contains an extensive phone directory of farm and governmental organizations. The resource directory is widely used by the media and academic institutions.

Brian Greathouse is the most recent addition and will serve as a program liaison. Brian has a particular interest in the live-stock industry, and his master's thesis looks at the economics of potential disease outbreaks and mitigation in the dairy and pork industries.

It is the intent that both April and Brian will be assigned programs later in the year.

Budgets

State budget deliberations – On February 20, Gov. Schwarzenegger signed a budget package to address the state's \$42 billion deficit. Such a large deficit required billions in spending reductions and several temporary revenue increases. How these measures will affect the department is unknown at this time.

As for employees, mandatory furloughs began in February and all state employees will continue to be furloughed at least one day each month through June 2010.

The furlough applies to all state departments and programs, unless a program generates revenue for the state. Exemptions from this rule are few. Even though the costs of the Marketing Branch are fully reimbursed by the marketing programs, our staff is subject to the furlough.

Marketing Branch budget – The mid-year projection for the branch is slightly under budget for the 2008-09 fiscal year. While the branch increased staff positions this year, the furlough will help offset the costs of these increases.

Continued on Page 3

MARKETING MEMO

FOREST COMMISSION CLOSES, EDUCATION CONTINUES

As 2008 came to a close, we lost more than our 401(k)s. We also lost the California Forest Products Commission.



After 18 years of working to elevate the importance of the forestry and wood sector, the state's timber producers petitioned CDFA Secretary A.G. Kawamura to disband the commission.

Of the timber producers, 59 percent signed the petition to close the commission. This represented 85 percent of the total volume of timber harvested in the state. This outcome was more than enough to pass the petition.

At its last meeting on December 11, 2008, board members voted to ask the producers if they would agree to transfer all remaining assets to The Forest Foundation, a 501(c)3, to continue its educational programs.

This final commission action followed more than a decade of declining harvests in the state. In 2007, harvests in California were the second lowest in 30 years, at 1.6 billion board feet. This is a 60 percent decline in harvesting since 1990. Previously, manufacturers paid 30 cents per 1,000 bd. ft. When harvest volumes declined, they increased their payment to the maximum \$1 per 1,000 bd. ft. However, as logging levels continued to shrink due to the deepening housing crisis, the financial strain on these companies was such that they no longer could support the commission.

"Although current economic conditions have dictated this action," said Bob Maxie, "the law is still on the books if, in the future, the industry wanted to revive the commission it could do so with a referendum."

New jobs for commission staff

Commission president, Donn Zea, is now president and CEO of the Northern California Water Association.

Former commission vice president of communications, Cheryl Rubin, has now formed her own public relations firm, Rubin & Associates.

Two former staffers, Shaney Emerson and Pam Sawyer, will help run the educational programs at The Forest Foundation.

TABLE OF DUE DATES FOR MARKETING PROGRAMS

The table below is a reminder of upcoming due dates. If you have questions, call your Marketing Branch economist/analyst at 916-341-6005.

Item	Applies To	Due Date
Quarterly Contract Report	Marketing Orders, Agreements & Councils	1st Qtr ~ Due April (January - March) 2nd Qtr ~ Due July (April - June) 3rd Qtr ~ Due October (July - September) 4th Qtr ~ Due January (October - December)
Financial Audits	Marketing Orders, Agreements & Councils	Three copies to the Marketing Branch 30 days after completion.
Member Lists	Marketing Orders, Agreements, Councils & Commissions	As soon as possible after any changes. Be sure to include individual contact information: addresses, phone and email addresses.
Form 700	Marketing Orders, Agreements & Councils	April 1st Program lists of members and alternates filings due to Marketing Branch.
Ethics Training	Marketing Orders, Agreements & Councils	Members must complete the training in the time frames below and submit the certification to their marketing program executive: <ul style="list-style-type: none"> • New members: within six months of assuming their position. • Continuing members: every two calendar years. Program executives must retain the signed original certificates. A list of board members and alternates with the dates they completed the orientation, must be sent to the Marketing Branch, attention of Beth Jensen.

BRANCH BRIEFINGS, CONTINUED FROM PAGE 1

Accounting guidelines and general rules

The department introduced a draft of its Accounting Guidelines and General Rules (Guidelines) at its November 2008 meeting of program executives. More than 70 people attended the meeting and Secretary Kawamura discussed the guidelines at length with the executives.

The issue that caused the most concern among executives was the department's issuance of new rules and applying them retroactively by conducting fiscal and compliance audits going back three fiscal years.

The executives asked for additional time to review the draft document and submit written comments regarding suggested revisions. Subsequent to the meeting, the department announced that it would accept written comments through January 28. The department also stated that it would review those comments and make appropriate revisions.

Look for the final guidelines in your e-mail inbox on April 16, 2009. The Accounting Guidelines and General Rules will go into effect on October 1, 2009.

Advertising and promotion review meeting

On February 9, the branch held a meeting with program representatives regarding its draft Advertising and Promotion Review Policy. This proposed policy was first introduced to programs at the May 2008 Program Executives meeting. The proposed policy was meant to serve as a starting point for discussions with programs engaged in advertising and promotion.

At the recent meeting, several points were raised:

- The draft policy closely follows existing USDA policies. USDA appointed a task force, which is meeting once a month to review its policies. The task force hopes to finalize its recommendations by this May.
- USDA uses both FDA and FTC policies and guidelines regarding nutritional claims. Advertising claims are beyond the scope of FDA's authority (labels and websites only).

- If CDFA adopts a "review everything" policy, the sheer volume of paper flowing between programs and the department will be unmanageable.
- USDA changed its paradigm regarding application of regulations. It formerly said that a claim was permitted unless specifically prohibited. It now says that a claim is prohibited unless specifically allowed (e.g., claims about antioxidants are prohibited because there are no standards adopted by FDA).
- Programs are unclear regarding CDFA's objective in adopting a new policy.
- The draft policy goes into too much detail.
- The department's policy as provided in the current Policy Manual for Marketing Programs is sufficient. CDFA should maintain the current policy and increase its review of ad materials under that policy, as it deems necessary.
- In the case of a crisis and a press release needs to be issued by the end of the day, what is CDFA's commitment to making that happen?
- Requiring review by an independent, certified nutrition expert will add costs and delays to programs.
- CDFA should allow programs to make decisions based on what is appropriate given staff and agencies' experience and will be accountable if there is controversy.

The Marketing Branch will work on revisions to the proposed policy based on the observations made at the meeting. A new draft will be issued and another meeting scheduled if executives feel it is warranted. At any time during this process, you are welcome to submit further comments.

As always, thank you for your candor and assistance. We greatly look forward to working with you more closely to improve communications and policy coordination in 2009!

MARKETING MEMO

MARKETING PROGRAMS: IN THE NEWS

Avocado Commission takes corrective action to address administrative weaknesses

As you may be aware, CDFA released its fiscal and compliance audit report of the California Avocado Commission (CAC) in early January, which identified several instances of inappropriate program expenditures.

Since then, there has been much press coverage focused on the identified problems, but little coverage on what the commission has done to help prevent a recurrence of such problems. It seems appropriate to highlight those steps the commission is taking to help address the administrative weaknesses revealed in the audit report.

Under the leadership of Chairman Rick Shade, the commission has moved quickly to adopt policies and procedures aimed at enhancing accountability and transparency. The commission has also sought to enhance the working relationship between the board of directors and staff. Following are some examples of steps taken to date.

The commission reinstated an active committee structure that had been largely dismantled in recent years. CAC established a Finance Committee to provide greater oversight of financial matters and has also established a Bylaw Committee to review bylaw changes and possible revisions to policies and procedures.

Revisions have already been made to travel, expense and entertainment policies and the accounting procedures are also being revised. CAC is reviewing various options for amending its financial reports so it can provide more financial details to the board of directors.

CAC has indicated on its website that its "goal is to continue to take actions that will establish an environment of enhanced accountability throughout the organization and to restore trust among growers."

Recent steps taken by the CAC board of directors and staff demonstrate their commitment to accountability and transparency. For that commitment, they should be commended.

Plum producers vote to continue the California Plum Marketing Program

In a recent referendum conducted by the Marketing Branch, the state's plum producers voted to continue operations of the California Plum Marketing Program. Such a vote is required every five years.

The California Plum Marketing Program provides that it shall be terminated if that is favored by a majority of producers voting in the referendum and that such producers account for more than 50 percent of the volume of all plums delivered by eligible producers during the preceding season.

Of the producers voting, 42 percent favored termination, accounting for 27 percent of total industry volume. Since these voting results failed to meet the mandated termination criteria, the program is authorized to operate for another five years.

California Rice Commission continues through 2014

Rice producers and handlers recently voted to continue the California Rice Commission for another five years.

Of those who submitted ballots, the outcome of the vote showed that 83.5 percent of growers and 85.7 percent of handlers were in favor of continuing commission's activities.

The California Rice Commission conducts education, promotion, and research activities on behalf of the California rice industry. These activities are funded by an assessment on all producers and handlers of rice in California.

New president for California Raisin Marketing Board

The California Raisin Marketing Board announced in January that Gary Schulz will replace the retired Ronald Worthley as the new board president. Mr. Schulz was also appointed president and general manager of the Raisin Administrative Committee. Co-located with the board in Fresno, the RAC serves the raisin industry as the federal marketing order, created in 1949 and overseen by the USDA.

Mr. Schulz brings more than 25 years of agriculture business experience to his new positions. He was general manager for the International Agri-Center for more than 15 years and managed the world's largest ag trade show: the World Ag Expo. Recently, he served as program director for the Central Valley Business Incubator.

ANNUAL REQUEST FOR HANDLER AUDITS

As you know, the Marketing Branch requires marketing orders, councils and agreements to use a three-year rotation schedule to audit handlers. The purpose of the audits is to verify accuracy of assessment reports and assessments paid. The branch also recommends this type of review for commissions. As part of this process, the Market Enforcement Branch (MEB) mailed in early March its annual request for handler audits. This year's request includes, whenever applicable, a breakdown of previously requested assignments that are still pending and how MEB intends to go about addressing them during 2009.

Please provide your assessment audit requests to MEB, attention Gary Miller, by **May 1, 2009**. Requests may be submitted electronically to gdmiller@cdfa.ca.gov, or by fax to 916-341-6551.

Although the focus this year will be on previously requested assignments, the MEB will also accept new requests. However, it is important to note that while the MEB cannot guarantee that it will be able to address all new audit requests, every effort will be made to audit those entities ranked as "high" or "A" in priority. Additionally, if during the year you have an emergency request for an audit, such as a handler that is going out-of-business, not paying assessments, or not remitting assessment reports, you may submit such requests at any time.

It is important to note that marketing orders, councils and agreements can request MEB to initiate action against entities that fail to pay assessments even in the absence of a prior audit request. In such cases, the Marketing Branch's Policy Manual requires a referral for enforcement after 30 days of delinquency. If you have questions about delinquent account referrals, or regarding other enforcement services available through MEB, call Kathy Diaz-Cretu at 916-341-6276.

New price schedule for assessment audits

As announced during the November Program Executives meeting, effective January 1, 2009, rates for assessment audits increased for the first time in eight years. New rates are as follows:

- The fee for standard (simple) audits has increased from \$600 to \$675.
- A few programs that require more complex and time-consuming audits were identified. The fee to conduct audits for those programs is now \$900 per handler.
- Multi-commodity programs will be charged a discounted fee based on the number of commodities handled by the entity being audited.

Number of commodities handled by the entity

Price per audit

1	\$675.00
2 to 4	900.00
5 to 6	1,000.00
7 to 9	1,100.00
10 to 12	1,200.00
13 and over	100.00 per commodity

- A \$47/hour fee applies for any requests to conduct audits out of sequence (emergency requests, provided they cannot be combined with other audits).
- A \$47 surcharge will be applied to standard audits after 8 hours of labor/travel (every effort will be made to notify the program in advance). Additionally, in order to keep costs at a minimum, audits will continue to be scheduled based on the handler's geographical location.
- Based on past experience, the MEB anticipates that the vast majority of audits will be billed at the \$675 rate.

\$900 minimum rate applies to these commodities:

- Dry beans
- Grape rootstock
- Rice
- Walnuts
- Wheat
- Wine grapes (Mendocino)
- Wool

Multi-commodity rate applies to these entities:

- Leafy Green Products Handler Marketing Agreement
- Leafy Greens Research Program
- Treefruit Marketing Order

Other enforcement services

The Marketing Branch provides access to enforcement services for marketing orders, councils and agreements via an arrangement with MEB. Enforcement services include:

- Administrative processing of deficiency determinations for collection of delinquent assessments.
- Assessment report compliance.
- Administrative action for failure to comply with program requirements, including failure to pay assessments.

MEB bills each program directly for all services rendered. All charges are based on cost-recovery rates approved by the Marketing Branch. If you have questions regarding the new rates or the other enforcement services, call Kathy Diaz-Cretu at 916-341-6276.



MARKETING MEMO

Governor Arnold Schwarzenegger
Secretary A.G. Kawamura
California Department of Food and Agriculture
Marketing Division, Marketing Branch
560 J Street, Suite 170-A
Sacramento, CA 95814
Phone: 916-341-6005
Fax: 916-341-6826
Marketing Memo Editor: April Izumi

WE WANT TO HEAR FROM YOU!

1. Do you have an announcement or news to share through the Marketing Memo?
2. Do you have commodity beauty shots that we can feature in this newsletter?
3. Do you have suggestions for improving this newsletter?

Please send your comments to April Izumi at aizumi@cdfa.ca.gov. And, look for the next quarterly edition of the Marketing Memo on June 19, 2009.

Marketing Branch Mission

We assure the fair and practical operation of marketing programs for the benefit of California agriculture and the citizens of California.

NEW SPECIALTY CROP AND INVASIVE SPECIES EFFORTS

Secretary Kawamura announced in February that the department is establishing a Specialty Crop Advisory Committee to make recommendations regarding block grant applications authorized under the 2008 farm bill. In addition, a California Invasive Species Council has been created to work on minimizing negative effects of nonnative species on the state's agriculture, lands, natural resources and waterways.

Specialty Crop Advisory Committee. The committee will consist of 12 individuals representing the diversity of California's specialty crop sector. By establishing this committee, CDFA is adhering to the Specialty Crop Competitiveness Act, which encourages states to provide for a competitive grants making process. California will receive approximately \$14.5 million for its fruits, vegetables, tree nuts, dried fruits, horticulture and nursery crops (including floriculture). For more information, visit www.cdfa.ca.gov/Specialty_Crop_Competitiveness_Grants.

Invasive Species Council. This is a high-level interagency cooperative effort to coordinate California's resources to protect against harmful and destructive species. An advisory committee appointed by members of the council will make recommendations to prioritize an invasive species rapid response plan. For more information, go to the CDFA website at www.cdfa.ca.gov/invasives.

ANNOUNCEMENTS ~ AG RESOURCE DIRECTORY NOW AVAILABLE!

Kelly Krug accepts deputy director job at USDA-NASS, California Field Office

After 11 years as director of Marketing Services, Kelly Krug has accepted a position at USDA-NASS as deputy director of the California Field Office.

While Kelly has left CDFA, he will still interact frequently with the department due to the active partnership between CDFA and NASS. CDFA has maintained a cooperative agreement with NASS for several continuing projects including, among others, the Grape Crush Report, the Dairy Accounting System, Dairy Statistics and the Agricultural Resource Directory.

Secretary Kawamura recently named Inspection Services Division Director **Nate Dechoretz as the interim director** while an executive search is conducted to replace Kelly.

Linda Berg Gandara rejoins Department of Justice as deputy attorney general

The department's chief legal counsel, Linda Berg Gandara has accepted the position as deputy attorney general for the DOJ's Natural Resources Law Section. Linda's state agency clients will include, among others, the Resources Agency, Cal-EPA, Dept of Fish and Game, Dept of Water Resources, Air Resources Board, Water Boards, Integrated Waste Management Board, Dept of Parks and Recreation, Dept of Forestry and Fire Protection, and Dept of Food and Agriculture.

While at CDFA, Linda advised the Secretary and programs on law and policy issues ranging from alternative fuels and milk regulation to combating invasive pests. As with Kelly's departure, we will miss Linda but know she will represent CDFA well in her new post.

California Agricultural Resource Directory 2008-2009

Now available for download at www.cdfa.ca.gov/statistics

This year's publication centers on the role that CDFA is playing in conducting compliance audits of the leafy greens industry and industry efforts in managing on-farm food safety.

Production data is for 2007.

Mark your calendar...

May 2-5, 2009

American Commodity Distribution Association's Annual National Conference, Costa Mesa, California. The theme is "Alimentary Alliances—Partnering to Achieve Goals."

Contact: William Ferriera
Phone: 209-632-9777
www.commodityfoods.org